



Ontario Energy Board Commission de l'énergie de l'Ontario



Unit Sub-Meter Providers

Briefing for the Minister of Energy

Confidential Advice for Government – Not to be Distributed

June 27, 2017

Legal & Regulatory Framework for USMPs

- Electricity Consumer Protection Act, 2010 (ECPA)
 - Sets out requirements for suite metering of buildings
 - Specifically all new buildings after 2011 must be suite metered
 - Provides framework for a building owner to elect suite metering
- Ontario Energy Board Act, 1988
 - Licensing requirement for suite metering
 - Consumer protection requirements established through a code
 - Requirement to provide OESP and support LEAP implementation
- USMPs required to follow Ontario Regulation 275/04 (Simplified Bill Regulation)
- USMPs required to provide Ontario Rebate for Electricity Act, 2016
- OEB Unit-Sub Metering Code
 - Sets out customer service rules, requirements for disclosure of information, reporting requirements
 - Customer service rules are identical to those for licensed distributors
 - Establishes requirements for provision of OESP and LEAP

Suite Metering How it Works (1)

- Exempt distributors (landlords & condo boards) provide distribution services within their property from LDC's bulk meter to individual unit holder customers
 - Provides a mechanism to encourage conservation, more consumer control
- *Regulation 161/99* under the *OEB Act* exempts building owners who charge for electricity from rate regulation and licensing subject to the following criteria:
 - The building is on private property
 - Electricity must be sold to the consumer at the price the exempt distributor paid for the electricity
 - Exempt distributor charges no more than reasonable cost for delivery, i.e. no mark-up on distributor bill (Delivery, Regulatory, Tax and any rebates)
- Where an exempt distributor has decided to bill its units directly, it must engage a USMP for metering, billing and customers services
 - Must have a bulk meter installed by local distributor to measure building 's electricity consumption
- Alternatively a building may be suite metered by a licensed distributor and the customers are part of the distributor's residential class.
 - Consumers would pay same rates established by the OEB

How Unit Sub-Metering Works (2)

- The *exempt distributor* who bills for electricity consumption, hires a USMP to meter and bill individual customers.
- The USMP installs their assets (meters) to deliver the metering and billing services contracted by the *exempt distributor*
- The USMP is an agent of the *exempt distributor*, and must ensure that the criteria for exemption from licensing and rate regulation are adhered to, in particular the requirement to pass through electricity costs
- As a service provider, the USMP may charge its own fees for service, as contracted with the *exempt distributor*
- Individual consumer pays two types of charges:
 - Their portion of a pass-through of distributor bill for commodity and delivery
 - Any USMP service fees which are unregulated

Protection of USMP Consumers

- The OEB has oversight of:
 - Consumer protection through code and regulations
 - When and where unit sub-metering can be installed (ECPA).
 - Who is licensed as a USMP – technical and financial capacity
- The OEB does not have oversight on:
 - Landlord / tenant relationship, including amount of rent reduction is addressed by Residential Tenancies Act
 - Contracts between exempt distributors and USMPs
 - USMP fees which are the subject of contracts with exempt distributors

Rebates & Low Income Assistance

- USMP consumers have access to all OEB and government support programs:
 - the 8% rebate on the on their portion of the distributor bill and on the USMP fees
 - the Low-Income Energy Assistance Program
 - the Ontario Electricity Support Program
 - proportionate share of any *Fair Hydro Act, 2017*, reductions as delivered on the local distributor's invoice

Overview of the USMP sector

- OEB staff completed a survey of the unit sub-metering industry in the fall of 2016
- 28 unit sub-meter providers (USMP's) are licensed by the OEB
 - 2,500 buildings with 326,000 individual units metered
 - 47% of units are residential condominiums
 - 51% of units are rental apartments
 - 87% of units are located in the GTA
- Based on survey 2 USMPs (Enercare and Carma) serve approx. 78% of market
- Although the OEB does not specifically collect information on USMP fees, based on complaint reviews we understand these range from \$8 - \$20+/month

Consumer concerns about unit sub metering

- In 2016, the OEB received 149 complaints about USMPs.
 - This compares with 887 complaints regarding electricity distributors and 1,855 total complaints
 - Two USMP's accounted for 72% of the complaints
- Complaints are received from two groups: individual consumers (unit holders) and landlords and building owners
- Complaints the OEB addresses include: billing issues (errors, timing, and understanding the bill), mark-ups on delivery, disconnection and metering/consumption disputes
- Common areas of consumer concern that are beyond OEB jurisdiction include: issues with the contract between USMP and building, USMP fees, landlord's process for switch to unit sub metering
- There is also a considerable lack of understanding of unit sub-metering and USMP role and its distinction from local distributor role

USMP Fees

- USMP's are service providers to exempt distributors. Their fees are subject to contractual arrangement with the exempt distributor and no OEB oversight
- Some consumers complain about the USMP monthly service fee , however it is generally because neither USMP's or exempt distributors provide adequate explanations of the purpose/basis for the fee
- Most charge related concerns arise over a USMP's other service fees related to billing disputes, disconnections, overdue bills.
 - For example the OEB has received complaints of USMP's charging \$100 or more for looking into meter accuracy disputes
- Under section 78 of the OEB Act there is a provision, currently not in force, to require USMPs to charge OEB approved rates for unit sub-metering

USMP Rate Regulation: A possible approach

- Government announces intention to proclaim section 78 authority
- OEB could proceed with a policy initiative to determine best approach to rate regulation addressing the following types of questions:
 - What are the capital costs and operating expenses associated with USMP services?
 - What is the appropriate model for rate setting, performance based?
 - What is a reasonable rate setting approach: should there be a range or cap on charges (to recognize competition in the provision of the service)?
- Undertake consultations with affected consumers and industry to gather input, develop a Report on policy and implementation guidance
- Following the completion of the policy process, USMPs would be required to apply rates in line with the policy
- Process would likely require a minimum of 10 months following announcement by government to complete consultation and develop policy, timing is dependent on the sector's response

USMP Rate Regulation Considerations

- Unit sub-metering is considered a competitive market
 - USMPs have invested in assets to serve and contracted with exempt distributors on basis of competitive market, rate regulation may affect contracts and value of businesses
- Need for consumer education on USMPs and role of OEB to address areas of confusion such as:
 - Landlord/tenant issues regarding implementation of sub-metering – these types of concerns often relate to the rent reduction something that is addressed by *Residential Tenancies Act*
 - Lack of understanding about billing and distinction between USMP and local distributor
- Rate setting authority over USMP charges may give clearer authority for determining how commodity and delivery is passed through

USMP Rate Regulation – Potential benefits

- OEB regulation will ensure charges to consumers are just and reasonable providing greater consumer protection, with potential for a reduction in consumer issues
- Under rate regulation, exit fees for contracts could be established which may assist condominium corps in making change in USMP from the one contracted by the developer
- OEB continues oversight and regulation of the pass through of electricity and delivery costs, may be strengthened